If your pension is frozen, here is what you can do to avoid *complaints*

Review your plan

According to Alan Glickstein, a senior retirement consultant with Towers Watson, when a pension plan is frozen, it becomes more urgent to either update the past retirement planning or do it for the first time,.

While benefits accrued at the time of the freeze are not reduced and employers often add additional 401(k) benefits when a pension is frozen, it is likely that the picture now looks worse than before, he further added.

“And even if the overall picture is supportive of the desired retirement goals, the balance has now shifted more heavily toward resources that are subject to market risk both before and after retirement,” said Glickstein. “Moreover, it can be especially challenging to project 401(k) account balances given the market volatility since the recession and the historically low level of interest rates.”

Warning! Save, save, save

In other words, according a pension expert with Axis Capital Limited, a group of companies based in London who also offer also offer Pension Cash Release Service, it’s likely that you will need to increase your savings when your pension plan is frozen.

“Workers whose defined-benefit plans are hard frozen should increase their savings rate for two reasons,” says one pension expert from another company. “First, it is reasonable to assume some efficiency losses in their self-directed retirement accounts compared with a defined-benefit plan through higher fees. More important, though, is their sudden loss of the longevity insurance inherent in a defined-benefit plan. The contribution dollars of employees were meant to last until the average life expectancy of the covered insurance pool. Now, employees have a 50% chance of running out of retirement funds before death. Lowering that probability means increasing the savings rate, possibly by a lot more than older workers can actually afford.”

Review your annual benefit statements and payout options

Besides that, experts also say that you should ask for your annual benefit statement. “If you do not ask, you may not get,” said Nick Paleveda, an adjunct professor in the Graduate Tax Program at Northeastern University and the CEO of National Pension Partners. The employer is required by law to furnish a statement known as the 204(h) notice, he said.

Others agree with the advice. “*Review* your annual benefit statement to see how much you will be eligible for in retirement,” said Russell. “Even a small monthly amount can take some of the pressure off their monthly cash flow needs in retirement.”

In addition, Russell recommends that you look at your summary plan document or what's called the SPD and speak with your human resource and ask whether they can take a lump-sum payment at retirement and invest it themselves. “This might be a good option if the company providing the pension is having financial difficulties and may have too little money saved in the pension to pay a lifetime benefit,” she said. “It pays to be prepared for either option: retaining the monthly benefit as paid by the company, or taking the lump sum and investing it themselves.”

Russell also suggests that you become familiar with the different periodic payment options available as a pension, such as a straight lifetime payment, or a joint and survivor payment. “This way when you get to retirement and want to create a monthly payment, you will know their options and what will work best for your monthly budget needs,” said Russell.